

OIL & GAS CONSERVATION COMMISSION
Meeting: September 17, 1971
Mr. John Bannister, Exec. Sec.



OFFICE OF
Oil and Gas Conservation Commission
STATE OF ARIZONA
4515 NORTH 7TH AVE.
PHOENIX, ARIZONA 85013
PHONE: (602) 271-5161

A G E N D A

Meeting
September 17, 1971
4515 N. 7th Avenue, Phoenix, Arizona

10:00 a.m.

✓ Hearing, Case No. 46

Immediately
following
hearing

Call to order

- ✓ 1. Approval of minutes of meeting of August 20, 1971
- ✓ 2. Executive Secretary report
- ✓ 3. Enforcement Section activity report
- ✓ 4. Geology Section activity report
- ✓ 5. Old business - PRINTING
- ✓ 6. New business
- ✓ 7. Adjourn

IF YOU ARE UNABLE TO ATTEND THIS MEETING, PLEASE NOTIFY THIS
OFFICE AS SOON AS POSSIBLE.

OIL AND GAS CONSERVATION COMMISSION
The Maxwell House
Show Low, Arizona

Minutes of Meeting
August 20, 1971

Present:

Mr. Ralph W. Bilby, Chairman
Mr. Lucien B. Owens, Member
Mr. W. Roger Hafford, Member
Mr. Frank E. Moore, Member

Absent:

Mr. Robert A. Bledsoe, Member

The regular Commission meeting for the month of August, 1971 was called to order in The Maxwell House in Show Low, Arizona by Chairman Ralph Bilby at 10:00 a.m.

The minutes of the meeting of June 18, 1971 were approved as written.

Reports of Executive Secretary, Enforcement Section and Geology Section were accepted.

Executive Secretary advised that Dr. J. J. Wright has decided to remain with the Department of Geosciences at the University of Arizona and will continue to serve the Commission as official representative of the University of Arizona.

Executive Secretary advised that pursuant to instructions given at the last meeting of the Commission a letter was sent to the Governor, advising of increased interest in geothermal power and suggesting that steps be taken to designate an agency within the State to supervise anticipated activity. The Governor has instructed Mr. Andrew Bettwy, State Land Commissioner, to confer with the Commission and submit a memorandum on the expected activity.

Mr. Edward Koester, staff geologist, discussed the salt dome west of Phoenix.

Motion was made and carried that the Commission hold a hearing on its own motion for modification and revision of certain of its rules and regulations made necessary, in part, by new statutes now in effect. Executive Secretary was instructed to take necessary steps to arrange for the hearing on the date of the next regular Commission meeting, September 17, 1971, at 10:00 a.m.

The proposed 1972-73 budget was examined in detail, then approved and adopted.

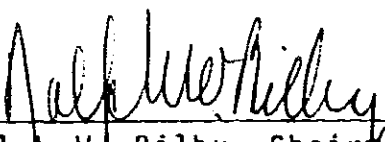
Executive Secretary reported that letters of appreciation have been

Minutes of Meeting
August 20, 1971
Page 2

received from Arizona's representatives to Congress in response to letters from the Commission with respect to the increased interest in geothermal power.

Meeting adjourned at 11 a.m.


APPROVED


Ralph W. Bilby, Chairman

OIL AND GAS CONSERVATION COMMISSION
4515 N. 7th Avenue
Phoenix, Arizona 85013

The regularly scheduled meeting for July 16, 1971 was
not held because a quorum would not be present.

By


Ralph W. Bilby, Chairman



OFFICE OF
Oil and Gas Conservation Commission
STATE OF ARIZONA
4515 NORTH 7TH AVE.
PHOENIX, ARIZONA 85013
PHONE: (602) 271-5161

September 8, 1971

Memo: Commissioners
From: John Bannister

Re: Report of Activity

Pursuant to instructions given to me during our August 20, 1971 meeting in Show Low, I have set up a hearing to consider the necessary changes in our rules and regulations. This hearing will be at 10:00 a.m. on September 17th and we will adjourn after the hearing and have our regular meeting. We have mailed out the changes to be proposed by the Commission to you gentlemen, as well as notices of the hearing itself. To date we have received no comment either pro or con, consequently I do not feel the suggested changes will be controversial. As far as I can anticipate at this time, the hearing should not be overly long.

As you may be aware, this Commission has special statutes controlling its adoption of rules and regulations. As a courtesy, we informed the Secretary of State of our proposed hearing. The statutes under which this Commission operate differ somewhat from the administrative statutes of the State and the Secretary of State's office informed us we did not comply with his requirements. Again, as a courtesy, we fulfilled his requirements, however I stressed that our requirements were controlled by statutes other than the general administrative statutes. This does not present a problem.

The secretary for the Geology Section resigned in order to go to college, consequently this section is now in the process of looking for a new secretary.

On Thursday, September 9th, there will be a meeting in this office in cooperation with the Department of Geology of the University of Arizona. Dr. McCullough will be introduced by this office to members of the Legislature and to other department heads who have in common the interest in the State's natural resources. As you are aware, for many years we have worked with the Geology Department of the University of Arizona to interest them in oil and gas and in our problems and now this has been

Page 2
Executive Secretary Report
9-8-71

fully accomplished we are endeavoring to make their capabilities known to legislators and other state departments. This also gives us the opportunity to explain more of our functions and abilities to this group.

From all information, it appears that Mr. Ed Obele is near to commencing his well on the Guadalupe structure in Cochise County. From my information, he is securing a drilling bond to be posted with the Commission and is preparing to fulfill other obligations necessary before he may commence. This is a most desirable well and it is to be hoped he can successfully complete the necessary steps in order to drill this location.

Western Helium Corporation announced to its stockholders purchase of the Navajo plant formerly owned by Arizona Helium. In the announcement to its stockholders, Western indicated it will immediately set about increasing capacity of the plant as well as extensive revamping of existing facilities.



OFFICE OF
Oil and Gas Conservation Commission

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ACTIVITY REPORT

September 8, 1971

Memo from W. E. Allen, Director
Enforcement Section

It would appear that the President's freeze on prices has reached the natural gas industry. It had been announced prior to the President's freeze that Pubco Petroleum Corporation had been allowed an increase in the prices on certain San Juan County New Mexico gas production from 15.25 cents per MCF to 29.06 cents per MCF. The Power Commission has suspended this order to February 2, 1972.

It has been noticed that Senator John Tower, R-Texas, has advocated return to the 27.5 percent depletion allowance and also endorses the 7 percent investment credit for the petroleum industry. Senator Tower has offered legislation, "designed to help insure the nation's consumers of an abundant supply of natural gas." This bill relieves the Federal Power Commission of its current responsibility of setting the price for natural gas and this allows the price to be determined in the market place. The Senator maintains that the current shortage of natural gas is a direct result of price regulations by the FPC.

Much time has recently been spent on putting the final touches on the proposed rule changes and getting the necessary paper work completed for the hearing on the 17th of this month.

On August 31, and September 1 and 2, the writer attended a Supervisor's Simulation Work Shop, sponsored by the Arizona Personnel Commission. The work shop wasn't of a problem solving nature. It tended to emphasize the supervisor's role in the overall organization procedures.

During the past three weeks I have stuck fairly close to the office in order to help, when needed, our new secretary in becoming acquainted with her duties. She is coming along real fine and I plan to make a field trip the week of September 20th.

At long last H. K. Riddle has plugged his #3-A Well, located in the NE/NE Section 3, T-17N, R4-E, Yavapai County.

Page 2
Activity Report - September 8, 1971
Mr. W. E. Allen

At last report the Cecil Cope Bradshaw Fee #1, NW/NE Section 34, T-18N, R-4E, had struck drill pipe. The T. D. was 1410'. They have been drilling in what some geologist consider basement rock for the last 290'. Just how much further or longer they will drill is a subject to ponder.

Curtis Little has filed an application to drill the Navajo Tribal 1-22 Tsegehot Tsane, NW/NW Section 22, T-37N, R-29E, Apache County. This is a 3800' test to explore the Mississippian. The hole was spudded on 8-27-71.

The Cities Service Monsanto 1-A Navajo, is in the SE/NE Section 21, T-40N, R-29E Apache County, is presently under going extensive testing. The completion report should be forth coming very soon. Cities Service is planning another test in Section 22, T-40N, R-29E.

This office was informed on September 3, that Ed Obele would file an application to drill the much discussed Cochise County Well, the week of September 6th.

At last report Reuel Little #1-State, NW/NE Section 34, T-16N, R-23E was drilling at 790'. The plans called for 4 1/2" casing to be run to 800'.

The Suburban Companies are planning enlargement of their storage facilities at Adamana. Just when this additional work will start has yet to be announced. They are currently engaged in building the originally planned storage reservoir for LPG.

Eastern Petroleum Company has not started on their proposed #1 Kiva State Santa Fe in the NE/SW Section 13, T-20N, R-28E. Neither have they started on their re-entry project into their Santa Fe 6X in the center of Section 25, T-20N, R-28E. It has been reported that they are waiting on a rig.

Western Helium Corporation is busy with various modifications on their recently purchased plant at Navajo, Arizona. In all probability, this plant will be in operation about October 1, 1971.



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September 8, 1971

ACTIVITY REPORT

TO: COMMISSIONERS

FROM: GEOLOGICAL STAFF

James Scurlock

I have finally caught up with Dr. Peirce on our geological data compilation project. This editing will continue throughout the fall. Meanwhile, I will revise our location map, which is the small hand-out map, size 8½ x 11", which lists all the oil wells in Arizona and gives the total depth and location. After this project is completed, we plan to draft a map of the entire State, showing all of the wells in the State. This will measure about 3' x 3' and will be of such a scale (1 to 500,000) as to serve as a base map for regional studies.

Our secretary, Miss Laura Schwimmer, has left for college, leaving us with a vacancy which we hope to fill within the next few days.

Jack Conley

SAMPLE CATALOG PROJECT - ARIZONA

To date we have distributed almost 200 indexes. We have mailed almost that many announcements of the availability of the catalog to oil companies, independent operators, schools, libraries, hydrologists, geologists, geological societies, governmental agencies and trade journals. We have not completed the mailing of the announcements.

We are now receiving a few requests for catalogs each week from the initial mailing of announcements to the geological departments of universities and colleges.

Last month I mentioned that PETROLEUM INFORMATION and SOUTHWEST

Page 2
Activity Report
Geological Staff
September 8, 1971

OIL & GAS NEWS had published announcements of the availability of the catalog. Since then the KANSAS GEOLOGICAL SOCIETY has published an announcement in its newsletter to members. An oral announcement was made at the August meeting of the Montana Geological Society.

OUT-OF-STATE SAMPLES

With the exception of "double-checking" some questionable depth intervals, all of the samples of drill-bit cuttings and/or cores of wells in Colorado, New Mexico and Utah (Four Corners region) have been inventoried and tabulated. When we get a secretary for this section we can commence typing stencils for a catalog or index.

Most of the samples are from wells drilled for oil or gas. However, there are approximately 80 sets of samples of wells drilled for water on the Navajo Indian Reservation in New Mexico. Many of these wells are sufficiently deep to be of value in sub-surface studies in sparsely explored areas, and may be of interest to oil geologists and other earth scientists at some future date.

PUBLICITY - ARIZONA BUREAU OF MINES BULLETIN 182

The August, 1971 edition of The American Association of Petroleum Geologists' bulletin carries Dr. Martin Van Couvering's review of this publication written by Peirce, Keith and Wild of the Bureau of Mines staff. The purpose of this book, of course, was to encourage further exploration and to assist those who are searching, or will be searching, for new oil, natural gas, or helium accumulations or new coal deposits. You will recall that I got the following "plug" into the review for this Commission: "Publication of Bulletin 182 was encouraged and aided by the Arizona Oil & Gas Conservation Commission".

You will also recall that I incorporated a "plug" for Bulletin 182 in the brief message enclosed with each catalog mailed. Dr. Peirce reports that there was an appreciable increase in the sales of this bulletin soon afterwards, mostly to consulting and independent geologists. There has been another increase in sales since publication of the review in the A.A.P.G. August bulletin.

PUBLICITY - AEROMAGNETIC MAPS, ARIZONA

The total magnetic intensity map available from Dr. John Sumner's

Page 3
Activity Report
Geological Staff
September 8, 1971

office in the Geoscience Department and the residual magnetic map available from the University in Tucson warrant some publicity. Both maps should be of exploratory value to geologists and geophysicists searching for oil, gas and other natural resources, including geothermal. A review, to be most effective, should be written by a geophysicist familiar with the broad aspects of Arizona's geology. Unfortunately, I do not currently know of such a qualified reviewer that would be willing to tackle the chore. Perhaps Dr. Jerry Wright could recommend someone.

GENERAL

Along with James Scurlock and Edward Koester, I attended the geological symposium in Flagstaff, sponsored by the Museum of Northern Arizona, Friday, September 4. More than 100 geologists and earth scientists registered. All of the papers presented were good. At least four of them pertained to phases of Arizona geology of particular interest to us.

We also had the opportunity of talking to several out-of-state geologists about what the Commission is doing, and hopes to do, in encouraging the search for oil, gas, helium and geothermal resources.

Dr. Sherman Wengerd, University of New Mexico and current president of The American Association of Petroleum Geologists, seemed to be particularly interested in the Commission's activities. He also mentioned that he has a client who is very interested in the Arizona "Strip", and that when time permits he plans to do some consulting work for this client in a portion of that area.

I have had a request from an out-of-state geophysicist for the names of some reliable Arizona lease brokers. It seems that he has two or more clients who may be interested in a wildcat drilling program in this state. He also stated that he has some gravity and magnetic surveys in the Black Mesa basin indicating prospects meriting drilling exploration.

Edward Koester

The number of tests drilled for oil and gas in the State is in the order of 700 but the number of wells drilled for water is numbered in the thousands. We do not have any information on many of these water wells, nor does the State Land Department, the U. S. Geological Survey, the U. S. Bureau of Reclamation, or other government organizations. However, information is available

Page 4
Activity Report
Geological Staff
September 8, 1971

on most of the water wells or wells which failed to find water. The quality of this information varies from excellent on a small proportion to very poor on many. In general the data available to us on most water wells is as good as can be expected.

In our appraisal of the petroleum potentiality of Arizona, we have been interested in assembling as much data as possible on those water wells that gave us stratigraphic information, i.e., wells that tell us whether potential oil-and gas-bearing rocks have been found or may be present below the bottom of the well. We are also interested in the depth at which these potential oil-producing zones may be reached so that we may be able to estimate for any prospective oil seeker the depth to which he should plan his drilling. It is just as important to an oil seeker to know where not to look for oil as it is to know where to look for it, so it is our function to attempt to determine the least favorable areas as well as the most favorable.

Thus when we examine the logs of water wells, as we have been doing, and find that a certain valley is filled with a relatively thin section of sediments overlying a series of igneous and metamorphic rocks, which, in themselves, cannot be expected to contain oil, we can dismiss that area as a very poor prospect. We can then devote our time to better advantage to a study of more likely areas.

The State Land Department, in cooperation with the U. S. Geological Survey, and other agencies, has published a number of Water Resources Reports since 1956. Some of the older reports are out of print, but we have been able to secure copies of most of them, and have made copies of others. These comprise a great mass of information of wells drilled for water in the valleys of the State. The reports include logs of the wells, a few geological interpretations, data on the character and amount of the water produced, the temperature of the water (in a few cases) and the elevation of the wellsite.

We have been preparing "scout tickets" on each of those water wells which have significant geological information useful to anyone interested in the search for petroleum in our state. This is a slow, tedious process which, when completed, will make available to anyone interested in petroleum exploration in any part of Arizona a great amount of data which each explorationist would have to do himself. This data, blended with the data on wells drilled for oil, gas, helium, or stratigraphic tests, including mineral tests, will be on open file in our office.

This data also will serve as a basis for subsurface studies which

Page 5
Activity Report
Geological Staff
September 8, 1971

we intend to make. The results of these studies can be published as short reports or presented as papers at meetings of geological societies connected with the petroleum industry, as well as other public forums within or outside of Arizona.

* * *

Information from trade journals and other sources indicate that during the last four months of this year there will be an upsurge in exploratory drilling in the United States. As the OIL AND GAS JOURNAL (August 30) states: "Not since the immediate post World War II period have overall conditions and trends been so favorable for petroleum exploration in the United States." While exploratory activity in Arizona may not be expected to show a great increase this year, certainly companies are going to be more open-minded in future years than they have in the past ten years of declining domestic drilling activity. Not only giant oilfields will be sought; smaller productive areas will be explored, and some of this search is bound to be attracted to our state.

MONTHLY FINANCIAL REPORT

1	2	3	4	5
RECEIPTS MONTH OF	RECEIPTS CLASSIFICATION	APPROPRIATED RECEIPTS	UNAPPROPRIATED RECEIPTS	TOTAL ALL RECEIPTS YEAR TO DATE
Aug 1971	1 Permits to Drill			100 00
50 00	2			
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50 00	TOTAL CURRENT MONTH RECEIPTS		50 00	XXXXXX
	TRANSFERS IN		-0-	
XXXXXX	BALANCES BROUGHT FORWARD		1,251 83	XXXXXX
	TOTALS - MONTH AND YEAR TO DATE		1,801 83	100 00

6	7	8	9	10	11
CLAIMS PAID MONTH OF	EXPENDITURES FUND TITLES	TOTAL AMOUNT AVAILABLE YEAR TO DATE	CLAIMS PAID YEAR TO DATE	OUTSTANDING ENCUMBRANCES	UNENCUMBERED BALANCE
Aug 1971	1 Personal Services	22,593 00	14,912 86		7,680 14
7,579 70	2 Emp. Related Exp.	2,190 00	1,176 20		1,013 80
6,73 19	3 Other Operating Exp.	9,350 00	8,561 68	343 93	444 39
4,200 99	4 Prof. & Outside Serv.	1,700 00			1,700 00
531 91	5 Travel - State	2,100 00	578 12	1,428 12	93 76
	6 Travel - Out of State	3,500 00		317 40	3,182 60
	7 Cap. Outlay - Equip.	2,100 00	907 92		1,192 08
	8	2,000 00			2,000 00
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12,985 79	TOTALS	45,533 00	26,136 78	2,089 45	17,306 77

DIVISION

IDENTIFICATION CODE NO.

1	2	3	4
CLAIMS PAID YEAR TO DATE	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION	CLAIMS PAID MONTH OF
			Aug. 1971
210 00	7111	1 Per Diem: Board Members	1 210 00
14,490 70	7112	2 Salaries: Employees	2 7,369 70
212 16	7113	3 Wages: Summer Aides	3
	7151	4 Industrial Insurance	4
451 61	7153	5 F.I.C.A.	5 304 68
724 59	7155	6 Retirement	6 368 51
	7159	7 Personnel Commission	7
	7215	8 Professional Services: Engineer	8
	7219	9 Other	9
131 40	7221	10 Travel-State: Mileage	10 131 40
272 00	7222	11 Subsistence	11 272 00
	7223	12 Public Transp.	12
174 72	7224	13 Vehicle Exp.	13 128 51
	7225	14 Reg. Fees, Parking, etc.	14
	7232	15 Travel-Out of State: Subsistence	15
	7233	16 Public Transp., Taxi	16
	7234	17 Airport Parking	17
	7235	18 Reg. Fees, Tel., etc.	18
7,397 84	7251	19 Occupancy: Office Rent	19 3,698 92
	7261	20 Warehouse Rent	20
	7263	21 Warehouse Mtn. & Repair	21
120 00	7272	22 Mtn. & Repairs: Furn. & Equip.	22
145 61	7280	23 Office Supplies	23 123 43
104 40	7300	24 Field Supplies, Film, Am. Strat, P.I., etc.	24 104 40
	7331	25 Printing: Reports, Large Maps, etc.	25
	7332	26 Legal Advertisement	26
	7333	27 Court Reporter	27
	7334	28 Postage	28
467 81	7335	29 Telephone	29 274 24
8 75	7337	30 Drayage, express, etc.	30
67 27	7349	31 Rental, Misc.	31
	7360	32 Dues and Subscriptions	32
	7431	33 Capital Outlay: Office Equipment, Ipr, etc.	33
907 92	7433	34 Reproduction Equip.	34
	7434	35 Spec. Equip.	35
250 00	7913	36 Revolving Fund	36
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26,136 78		TOTAL	12,985 79

GEORGE E. LEONARD
CHAIRMAN
JOHN S. HOOPES
VICE-CHAIRMAN
WESLEY E. STEINER
EXECUTIVE DIRECTOR
AND
STATE WATER ENGINEER



Arizona Water Commission
34 WEST MONROE STREET - 7TH FLOOR
Phoenix, Arizona 85003
TELEPHONE (602) 250-7501

MEMBERS
PETER DIANCO
LINTON CLARIDGE
DAVID R. GIDE
DOUGLAS J. WALL
WILLIAM H. WHEELER
EX OFFICIO MEMBERS
ANDREW L. BETTWEY
MARSHALL HUMPHREY

September 2, 1971

RECEIVED

SEP 7 1971

D & G CONS. C.

Mr. Andrew L. Bettwy, Commissioner
State Land Department
Capitol Annex
1624 West Adams
Phoenix, Arizona 85007

Dear Andy:

Thank you for your letter of August 31 inviting any contribution the Commission may wish to make relative to identification and development of geothermal resources in the State.

The Commission at its meeting on August 6 proposed to discuss your previous correspondence and Mr. Bannister's letter of June 28 to the Governor on this subject, but in your absence, deferred the matter until the next meeting of the Commission. As the September meeting of the Commission has been cancelled, I would hope that this matter could be fully explored with you at the Commission's October 1 meeting.

I feel certain that the Commission will have no interest in assuming leasing responsibilities and probably will not wish to assume regulatory authority. Geothermal resources, however, are both water and heat resources and consequently, are of great interest to the Commission. I feel that the Commission should have a primary role in identifying and planning the development of the State's geothermal resources.

I am sending a copy of this letter to John Bannister in the hopes that he, too, can attend the Commission's October 1 meeting and participate in discussion of this important matter.

Sincerely,

Wesley E. Steiner
Executive Director

WES:m

cc: John Bannister /



JACK WILLIAMS
GOVERNOR

OFFICE OF
State Land Department
STATE OF ARIZONA
Phoenix, Arizona 85007

ANDREW L. BETTWY
STATE LAND COMMISSIONER

August 31, 1971

Mr. Ralph W. Bilby, Chairman
Oil & Gas Conservation Commission
P. O. Box 569
Tucson, Arizona 85701

Dear Mr. Bilby:

This Department is looking to contributing what information it might for the location and eventual use of geothermal resources and asks your agency to suggest what type of basic information might be developed through our activities here.

Annually for many years this Department has gathered ground-water information relating to wells serving agricultural enterprises and we anticipate in the next annual letter to request heat information thinking in most basic terms that this may have some relative value in the hands of the experts. I mention this as an example of the type of information we might well develop.

Sincerely,

Andrew L. Bettwy

ALB:bka

cc: Mr. John Bannister
Mr. Wesley Steiner

RECEIVED

SEP 01 1971

O & G CONS.

GARY K. NELSON, THE ATTORNEY GENERAL
STATE CAPITOL
PHOENIX, ARIZONA

August 11, 1971

DEPARTMENT OF LAW LETTER OPINION NO. 71-22-L (R-78)

Recommend by Initials	
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REQUESTED BY: ANDREW L. BETTWY
Commissioner
State Land Department

QUESTION: When a public officer, deputy or employee, by virtue of his official position, becomes an ex-officio member of another state agency or board, does the agency for which such ex-officio membership is served have responsibility to pay any travel and subsistence expenses arising out of his membership or ex-officio membership on such board or commission?

ANSWER: Yes.

A.R.S. § 38-622, as amended 1970, provides in part as follows:

"A. When the official duties of a public officer, deputy or employee require him to travel from his designated post of duty, he shall be allowed expenses and allowances therefor.

"B. Such expenses and allowances shall be authorized by travel orders signed by the head of the department or agency, or by a person to whom such authority has been properly delegated."

It appears from Section B above that it was the intent of the legislation authorizing travel claims that the travel orders are required to be signed by the head of a department or agency for which the travel is necessary. If such was not the intention, it would not be necessary to have the approval of the travel order by the head of the agency for which the travel is being performed, but would rather be necessary for the travel order to be approved by the agency paying the travel expenses. If the result were otherwise,

Opinion No. 71-22-L
(R-78)
August 11, 1971
Page Two

the incongruous result would permit the administrative head of one agency to exercise some degree of control over the travel budget and funds of the other agency served by the official or employee, and could not be condoned.

A contrary conclusion would be further complicated in a situation where an official whose primary responsibility was to an agency whose funds are derived wholly from trust accounts was nevertheless designated as an ex-officio member of a board or commission which has responsibilities not related to the trust agency's activities. Requiring the payment of travel and subsistence from the trust account could constitute an illegal diversion of such trust funds.

Therefore, it is hereby concluded that the board or agency for whom the travel is being performed has the responsibility of paying travel and subsistence claims for attendance at its meetings. Such travel expenses for an ex-officio member of a board or commission should be treated no differently than those of other members who are not otherwise state employees.

Respectfully submitted,

Gary K. Nelson
by F.S.

GARY K. NELSON
The Attorney General

GKN:PCG:ell



OFFICE OF

Oil and Gas Conservation Commission

STATE OF ARIZONA

4515 NORTH 7TH AVE.

PHOENIX, ARIZONA 85013

PHONE: (602) 271-5161

September 8, 1971

Honorable Timothy A. Barrow, Chairman
House Committee on Environmental Future
House of Representatives
House Wing, Capitol Building
Phoenix, Arizona 85007

Re: Suggested Legislation for Geothermal Within the State of
Arizona

Dear Mr. Barrow:

This report is submitted pursuant to instructions given this
Commission by Vice Chairman Burton S. Barr at the meeting of
the Committee on August 10, 1971.

Due to the nature of the geothermals, many problems are in-
volved in the leasing and in the regulation of this energy.
This energy usually is found as the result of drilling
exploration, almost the same in technique as oil and gas ex-
ploration, however the energy, when brought to the surface,
is used on the site, i.e., a power plant normally is established
quite close to this source of energy to avoid excessive heat
loss due to transportation. Inasmuch as many valuable by-
products such as fresh water, salt brine and other minerals
may be recovered, other departments of the State will be
involved in the supervision of geothermals. The prime purpose
of this resource is the manufacture of electrical power. Con-
sequently, in any discussion of regulation of geothermal power
you must consider such agencies as the Oil and Gas Conservation
Commission; State Land Department; State Health Department,
Environmental Services Division; the Utilities Division of the
Corporation Commission.

This Commission feels the following legislation is needed:

1. The term "geothermal resources" should be defined for legis-
lative purposes as follows: "The term 'geothermal resources'
shall mean the natural heat of the earth, the energy, in whatever

Hon. Timothy A. Arrow
9-8-71
Page 2

form, below the surface of the earth, present in, resulting from, or created by, or which may be extracted from, such natural heat, and/or minerals in solution or other products obtained from naturally heated fluids, brines, associated gases, and steam, in whatever form, found below the surface of the earth including any artificial stimulation or creation of geothermal resources, but excluding helium, oil, hydrocarbon gas or other hydrocarbon substances." This definition should be added to A.R.S. 27-501 and 27-551.

2. The State ownership of geothermal resources should be made clear and definite as to State lands.
3. The State Land Department should specifically be empowered to lease and dispose of geothermal resources pursuant to provisions of the Enabling Act and the statutes adopted thereunder.
4. The regulation of geothermal resources for the purposes of prevention of waste, for the protection of the citizens of Arizona and of the environment, and during the period of its exploration, development and production, should be specifically assigned to the Oil and Gas Conservation Commission and this Commission specifically empowered to adopt rules and regulations for this source of energy. In general, A.R.S. 27-500, Chapter 4, insofar as pertains to the Oil and Gas Conservation Commission, should be amended wherever necessary to reflect the Commission's authority as to the geothermal resources and to reflect the desire of the Legislature in the regulation by the Commission of this resource. Since the regulation of geothermal resources was not contemplated in the establishment of this Commission, perhaps it would be best to completely spell out the regulatory function of the Commission insofar as geothermal resources is concerned.
5. It would be necessary to check the statutes of other agencies involved to make sure they have the necessary authority to carry on their portion of the geothermal control.

Should you have any questions or desire further information, please advise.

Respectfully,

John Bannister
John Bannister
Executive Secretary

JB/vb

NOTICE OF HEARING

CASE NO. 46

NOTICE IS HEREBY GIVEN to all interested parties that the OIL AND GAS CONSERVATION COMMISSION of the STATE OF ARIZONA will hold a hearing on its own motion at its offices, 4515 North 7th Avenue, Phoenix, Arizona, September 17, 1971 at 10:00 a.m. to consider changes, amendments, additions and deletions to the following Rules and Regulations: Definitions, Miscellaneous Rules, Rules 101, 102, 105, 107, 108, 109, 111, 113, 114, 119, 120, 201, 202, 203, 204, 302, 308, 401, 502, 602, 702, 704, 705, 801, 804, 901, 902, and 903.

OIL AND GAS CONSERVATION COMMISSION
STATE OF ARIZONA
By Ralph W. Bilby, Chairman

Attest:

John Bannister, Executive Secretary
Published September 5, 7, 8, 9, 10,
and 11, 1971

PROPOSED AMENDMENTS TO THE ARIZONA STATE WIDE RULES
PERTAINING TO OIL AND GAS

A - DEFINITIONS

Add the following definitions:

Add 29.A:

"COMPLETION OR COMPLETED WELL means a well that meets any of the following conditions:"

1. "has produced or is ready to produce new formation hydrocarbons,
2. has been declared a dry hole , temporarily abandoned or plugged and abandoned,
3. has been otherwise readied for operation as in the case of injection and service wells."

Add 29.B:

"RECOMPLETION OF WELL - Any well deepened, plugged back, reperforated or perforated in a different zone will be considered recompleted.

B - MISCELLANEOUS RULES

Add 6.B:

"All forms and reports requested by the Commission shall be submitted to the Commission on or before the 20th day of the next succeeding month for monthly reports or within 20 days following the completion of the action requiring the report, except as otherwise provided by the Commission."

Page 2

C - DRILLING

RULE 101 BOND

Add A.2:

"Plugging and abandoning well as approved by the Commission."

Add E:

Substitute the word "written" for "specific and formal."

RULE 102 APPLICATION TO DRILL AND PROCEDURE TO CANCEL PERMIT

Add the following sentence to Paragraph A.1:

(Surveyors registered in states other than Arizona are acceptable.)

RULE 105 SPACING OF WELLS

Add to 105.C on line six following the word NUMBER the following:

(Surveyors registered in states other than Arizona are acceptable.)

RULE 107 SEALING OFF STRATA

107.B: Strike the word ORDINARILY in the last line of the Paragraph and add to the last sentence:

"and shall be reported to the Commission on a form prescribed by the Commission" (Form 25).

RULE 108 SURFACE CASING REQUIREMENTS

Add as Paragraph E:

"Surface casing shall be pressure tested with a minimum of 600 PSI for 30 minutes. If a drop of more than 10 percent of the test pressure should occur, the casing shall be considered defective and corrective measures shall be applied. In wells drilled with cable tools, casing may be tested by bailing the well dry. The hole must remain satisfactorily dry for one hour before commencing further operations. Results of the above test and any remedial action shall be reported on a form prescribed by the Commission (Form 25) within 20 days following test."

Page 3

RULE 109 CASING AND TUBING REQUIREMENTS

Add the following sentence at the end of Paragraph C.2:

"All tests must be reported on a form prescribed by the Commission" (Form 25).

RULE 111 BLOW-OUT PREVENTION

Substitute the following:

When drilling in areas where pressures are unknown or high pressures do or are likely to exist, a blow-out preventer, control head and related lines and connections necessary to control the pressures and to keep the well under control at all times shall be installed as soon as the surface casing is set. All blow-out preventers and related equipment shall be pressure tested to a minimum of 1000 PSIG on installation. The blow-out preventer shall be ^{operated} tested at least every 24 hours. All control equipment shall be kept in good working order at all times.

RULE 113 DEVIATION OF HOLE

Paragraph B: Change "30 days" to "20 days."

Paragraph D: Change "60 days" to "20 days."

RULE 114 MULTIPLE ZONE COMPLETIONS

Paragraph C.2 and C.3: Substitute the following:

"Diagrammatic sketch of multiple completion installation indicating make, type, and setting depths of packer or packers."

ADD 114.D:

"If the Commission approves the applications of a multiple completion, the operator shall within 20 days of the completion of the final setting of the packer or packers report the same on a form prescribed by the Commission (Form 12), and shall file a packer leakage test on a form prescribed by the Commission (Form 13) within 20 days of completing said tests."

Change original Paragraph D to Paragraph E.

Page 4

RULE 119 WELL COMPLETION

Paragraph A: Change "60 days" to "30 days" and change "90 days" to "30 days."

Paragraph C: Substitute the following:

C. When requested by the Commission, samples of all cores and cuttings, at a maximum interval of ten feet, shall be furnished to the Commission within 20 days of the completion or abandonment of the well from which said samples are taken. All samples and cores for the Commission shall be handled as follows:

- (1) All samples shall be properly washed and dried.
- (2) An amount, the equivalent of two tablespoons, of each sample shall be placed in envelopes or other suitable wrapping and clearly identified as to the depth at which it was taken.
- (3) Samples shall be properly packaged for transporting in a manner that will protect the individual samples; each pack of samples shall contain the identification of the well from which the samples originated, the complete location of the well and the Commission's permit number.
- (4) Samples of all wells shall be shipped or mailed, charges prepaid to:

Oil & Gas Conservation Commission
Phoenix Office

And to:

Arizona Bureau of Mines
University of Arizona
Tucson, Arizona 85721

- (5) Core Samples may be furnished in chips and suitably packed as set forth in Paragraph 2 and 3 above. Core samples shall be shipped or mailed, charges prepaid, as indicated in Paragraph 4 above.
- (6) Any samples so requested which the operator desires to keep confidential may be furnished to the Commission at its office within 6 months after completion or abandonment of the well from which taken.

RULE 120 REWORK AND RE-COMPLETION--SHOOTING AND TREATING

Paragraph B: Change "60 days" to "20 days."

Add 120.C:

"If a well is re-completed, a Revised Well Completion or Re-Completion and Well Log (Form 4) shall be filed with the Commission within 30 days following completion of work."

Page 5

D - ABANDONMENT AND PLUGGING OF WELLS

RULE 201 INTENTION TO ABANDON AND PLUG

Paragraph C: Change (Form 25) to (Form 9).

RULE 202 PLUGGING METHODS AND PROCEDURES

Paragraph A.2: Substitute the following:

"A continuous cement plug shall be placed through all fresh water bearing strata and shall extend at least 50 feet above and 50 feet below said strata."

Paragraph A.3: Change "15 feet" to "20 feet."

Add at the end of Paragraph 202.A.5:

"See Rule 202A.2. above."

RULE 203 SEISMIC, CORE, AND OTHER EXPLORATORY HOLES

Paragraph A: Substitute the following:

"Any hole drilled for stratigraphic purposes provided in a valid and subsisting oil, gas and helium lease, must comply with all rules and regulations pertaining to the drilling of a well except that the provision of Rule 105, only in so far as it pertains to spacing regulations or dedication of acreage, shall not be applicable."

Paragraph B: Change "60 days" to "20 days."

RULE 204 WELLS TO BE USED FOR FRESH WATER

Add the following after the word lessee on line 3:

"and after said well has been satisfactorily plugged to a point immediately below the fresh water strata,"

E - OIL PRODUCTION OPERATING PRACTICES

RULE 308 MEASUREMENT OF OIL

Change "10th day" to "20th day."

Page 6

F - NATURAL GAS PRODUCTION OPERATING PRACTICES

RULE 401 CAPACITY TEST OF GAS WELLS

Add the following on the second line after the word determine:

"Within 30 days following completion and"

G - OIL PRORATION AND ALLOCATION

RULE 502 MONTHLY PRODUCERS REPORT

Add the following sentence at the end of Paragraph:

"Said report shall be filed on or before the 25th day of the next succeeding month."

H - GAS PRORATION AND ALLOCATION

RULE 602 MONTHLY PRODUCERS REPORT

Add the following sentence at the end of Paragraph:

"Said report shall be filed on or before the 25th day of the next succeeding month."

I - INJECTION TO INCREASE RECOVERY

RULE 702 CASING AND CEMENTING OF INJECTION WELLS

Designate the first paragraph as A.

Add as Paragraph B:

"Surface casing shall be pressure tested with a minimum of 600 PSI for 30 minutes. If a drop of more than 10 percent of the test pressure should occur, the casing shall be considered defective and corrective measures shall be applied. In wells drilled with cable tools, casing may be tested by bailing the well dry. The hole must remain satisfactorily dry for one hour before commencing further operations."

Page 7

Results of the above test and any remedial action shall be reported on a form prescribed by the Commission (Form 25) within 20 days following test."

RULE 704 RECORDS AND REPORTS

Add the following sentence at the end of Paragraph:

"Such report shall be submitted on or before the 20th day of the next succeeding month."

RULE 705 STORAGE WELLS

Designate first paragraph as A and insert on line 7 after the word NUMBER the following:

(Surveyors registered in states other than Arizona are acceptable.)

Paragraph A: Strike Rules 101, 102, and 105 and add the following:

"Rule 105, but only in so far as it pertains to spacing and acreage dedication requirements."

Add as Paragraph B:

underground
"Each storer of natural gas, LPG, or other hydrocarbon gases within the state shall furnish for each calendar month a Transporters and Storers Monthly Report, Gas (Form 28). The above report (Form 28) shall be filed on or before the 20th day of the next succeeding month."

J - PURCHASING AND TRANSPORTING

RULE 801 CERTIFICATE OF COMPLIANCE

Add the following at the end of Paragraph D:
(However, see ARS 27-509.C)

RULE 803 TRANSPORTERS AND STORERS MONTHLY REPORT

Change "10th day" to "20th day" in second Paragraph.

RULE 804 GAS PURCHASERS MONTHLY REPORT

Change "10th day" to "20th day."

Page 8

K - REFINING

RULE 901 REFINERY REPORTS

Change "10th day" to "20th day."

RULE 903 GASOLINE PLANT REPORTS

Change "10th day" to "20th day."

FORMS

Add the following note at the end of the list of forms:

(NOTE) "For the convenience of the operator, the forms and reports in common use by the United States Geological Survey and for the purpose for which each form was designed, may be submitted in lieu of similar Commission forms. Commission Forms No. 1, 2, 3, 4, and 27 must be used for their designed purposes; and no, substitutes will be acceptable."